

DATE: JUNE 3, 2002

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

**FROM: CYNTHIA J. KURTZ
CHIEF EXECUTIVE OFFICER**

**SUBJECT: APPROVAL OF OWNER PARTICIPATION AND LOAN
AGREEMENT BETWEEN THE PASADENA COMMUNITY
DEVELOPMENT COMMISSION AND SAN GABRIEL HOUSING
FOUNDATION FOR THE CONSTRUCTION OF A 13-UNIT
APARTMENT BUILDING AT 915 RIO GRANDE STREET FOR
VERY LOW INCOME AND LOW INCOME
DEVELOPMENTALLY DISABLED ADULTS**

RECOMMENDATION:

It is recommended that the Pasadena Community Development Commission ("Commission") adopt a resolution:

1. Finding and determining that the construction of the Pasadena Accessible Apartments ("Project") as described in the proposed Owner Participation Loan Agreement ("OPLA") is categorically exempt under the California Environmental Quality Act ("CEQA") and, specifically, under Section 15303 of the State CEQA Guidelines, and authorizing the Secretary of the Commission to file with the County Clerk a Notice of Exemption for the Project pursuant to Section 15303 of the State CEQA Guidelines;
2. Approving the terms and provisions of the OPLA between the Commission and San Gabriel Housing Foundation ("SGHF"), including the provision of Commission loan assistance to SGHF in the amount of \$169,638 drawn from the Federal National Mortgage Association (Fannie Mae) American Communities Fund Credit Facility Loan funds for the construction of the Project;
3. Authorizing and directing the Chief Executive Officer of the Commission to execute, and the Secretary to attest, the OPLA and any and all documents necessary to effectuate the terms and provisions of the OPLA; and
4. Approving a journal voucher entry appropriating to the Pasadena Accessible Apartments project \$169,638 from the Commission's Fannie Mae American Fund Credit Facility Loan account (Account No. 221-684110-52037).

ADVISORY BODIES:

The Housing Sub-Committee of the Community Development Committee reviewed this item on March 7, 2002 and support the proposal; no changes were suggested to the proposed project and Commission financing terms. The Northwest Commission reviewed the subject recommendation on May 14, 2002 and recommended approval.

The Community Development Committee (Committee) reviewed the subject recommendation on May 23, 2003. The Committee recommended approval of the proposed project.

EXECUTIVE SUMMARY:

Pursuant to the terms and provisions of the subject OPLA, San Gabriel Housing Foundation (“SGHF”) will construct a 13-unit apartment building at 915 Rio Grande Street (corner of Rio Grande Street and Lake Avenue) as an affordable rental housing project for 15 developmentally disabled, very-low income persons.

The total Project cost is \$2,627,070. Project development financing consists of a U. S. Department of Urban Housing and Development (“HUD”) Section 811 program grant in the amount of \$1,700,300, a loan from the County of Los Angeles “City of Industry” program in the amount of \$468,000, a Commission Loan in the amount of \$169,638, and \$289,132 in grants from various foundations.

BACKGROUND:

On August 13, 2001, the Commission conditionally approved financial assistance in the amount of \$169,638 to SGHF for the Project. Subsequent to this action, the SGHF entered into an Exclusive Negotiation Agreement for preparation of an Owner Participation and Loan Agreement (“OPLA”).

SGHF’s parent organization, United Cerebral Palsy (UCP), has provided housing for the developmentally disabled since 1945. UCP will be responsible for providing the support services for Project residents. UCP has developed over 20 similar projects using HUD Section 811 funding. The SGHF was specifically formed in 1996 by United Cerebral Palsy to develop and operate this Project.

OPLA KEY TERMS AND PROVISIONS:

The OPLA provides for a Commission Loan in the amount of \$250,000 to assist in the rehabilitation of a five-unit bungalow complex located at 2089 E. Villa Street as affordable rental housing for ten developmentally disabled, very-low-income adults. The affordability and use restrictions are covenanted for forty (40) years.

One unit is reserved for the resident manager. The 12 units available for the client population will consist of nine one-bedroom units and three two-bedroom units. Most of

the client population are wheelchair bound and have difficulty finding housing and gainful employment because of their disabilities.

Project design of the building, as specified in the OPLA Scope of Development, has incorporated many items required by the target resident population, including: a) wide hallway and outdoor paths, 2) wide doorways, 3) accessible bathrooms with wheel-in showers, 4) accessible laundry facilities, 5) accessible kitchens and appliances, 6) elevators, 7) minimal carpeting, 8) rooms with call systems, 9) rooms with adequate wheelchair turning radii, and 10) adequate security.

The total Project development cost is \$2,627,070. As proposed, \$169,638 in Commission Loan assistance shall be provided. Other development financing sources include a \$1,700,300 HUD Section 811 capital grant, a \$468,000 loan from the County of Los Angeles "City of Industry" program, a \$100,000 Scudder Charitable Foundation grant, a \$100,000 Weingart Foundation Grant, a \$29,665 Lanterman Regional Center grant, a \$10,000 Norris Foundation grant, and a \$49,467 contribution from United Cerebral Palsy. The HUD funding is secured by a first lien trust deed and Regulatory Agreement recorded against the Project site to ensure that the Project operates as affordable very-low and low income housing for disabled persons for a 40-year term. The County of Los Angeles loan is secured by a second trust deed. The HUD and County of Los Angeles loans have closed and the project is currently under construction.

The Commission Loan will be drawn from the Fannie Mae American Communities Credit Facility Fund Loan program account, and will be secured by a third deed of trust against the property, junior to the HUD and County of Los Angeles loans. The Commission Loan shall bear interest at 2% per annum over a 40-year term. Payments on the Commission Loan are due annually but only to the extent that Project net cash flow is available. The HUD Section 811 program requires that the Project operate with tenants paying no more than 30% of their income on rent. Due to this rent structure, the Project is not expected to generate any net operating income from which annual payments could be made on the Commission and County of Los Angeles loans.

HUD has the authority to approve junior lienholder documents and requires them to use residual receipt notes. Both the Commission and County of Los Angeles loans are secured by residual receipt notes and recorded deeds of trust. As subordinate lienholders, should the Project produce annual net income, each agency would equally share in 50% of the net proceeds. The liens are recorded in the event developers default on their loans and/or sell the property. Lienholders then have the capacity to receive the accrued interest in addition to the original loan proceeds.

At the end of the 40-year term, the outstanding balance on the Commission Loan (principal plus accrued interest at 2% per annum) will be due and payable in full. If SGHF is unable to repay the Commission Loan at maturity, the Commission may extend the maturity date and the affordability restrictions by an additional 20 years with the same terms.

In addition to the capital grant, the HUD Section 811 program will provide an operating subsidy to ensure Project feasibility and housing affordability. The subsidy -- totaling \$227,800 and paid out in pro rata annual installments during the first five years of Project

operation pursuant to a Project Rental Assistance Contract ("PRAC") with HUD -- covers the cost of repairs, maintenance, utilities, insurance, and other miscellaneous operating expenses. It is anticipated that the PRAC will be renewed by HUD upon expiration of the initial five-year subsidy period.

Keyser Marston Associates Inc. (KMA) reviewed the Project development cost and 12-month proforma of income and operating expenses and determined the amount and terms of the proposed Commission financial assistance was warranted. Given the very-low and low income rent levels mandated by the HUD Section 811 program, the Project is not expected to generate annual net income. Consequently, the present value of the projected repayment stream on the Commission Loan is zero (\$0), resulting in a Commission net cost or subsidy to the Project in the amount of \$169,638.

ENVIRONMENTAL FINDING:

This Project has been determined to be Categorically Exempt under Section 15303 of the California Environmental Quality Act ("CEQA") for protection of the environment.

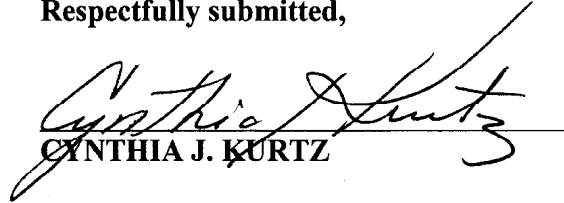
HOUSING IMPACT:

Approval of the recommendation will result in the construction of a 13-unit apartment building to be operated as affordable rental housing serving the special needs of 12 very-low and low income persons with disabilities. This affordable housing activity is consistent with the goals and objectives of the Commission's Implementation Plan 1999-2004, the Commission's Priority Work program, the City of Pasadena's General Plan (Housing Element), and the Consolidated Plan 2000 - 2005.

FISCAL IMPACT:

Due to the very-low-income levels mandated by the HUD Section 811 program, the expectation is that annual net income will be insufficient to repay the Commission Loan as described more thoroughly in the Project Financing section above. Therefore, it is expected that the Commission subsidy necessary to facilitate the Project is \$169,638. Fannie Mae American Communities Fund Credit Facility Loan funds in the amount of \$169,638 are currently available in Account No. 221-684110-52307 for this Project.

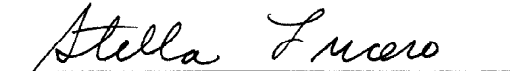
Respectfully submitted,



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Chief Executive Officer

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